

Committee on Government Reform

Tom Davis, Chairman



MEDIA ADVISORY

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Government Reform Committee to Examine Budget Autonomy For the District of Columbia ***D.C. Mayor Tony Williams to Testify***

**What: Government Reform Hearing on “Budget Autonomy for the District of Columbia:
Restoring Trust in our Nation’s Capital”**

When: Friday, June 13, 2003, 10:00a.m.

Where: Room 2154, Rayburn House Office Building

Background:

This hearing will focus on how to enable the District to start spending its local funds as soon as a fiscal year begins -- regardless of how long the congressional appropriations process takes.

In conjunction with the President’s FY2004 budget submission, a proposal was announced in February to “allow D.C.’s local budget to go into effect without prior congressional approval, provided that any general provisions from the previous year stay in effect until the Congress acts and provided that the Congress retains the right to redirect by law portions of the local budget after it goes into effect.”

The President’s budget went on to explain that this proposal reflects the dramatic improvement in the District’s ability to manage its budget processes in the post-Control Board era. **Committee Chairman Tom Davis (R-VA) and Representative Eleanor Holmes Norton (D-D.C.) intend to introduce legislation in the near future to authorize budget autonomy for the District of Columbia.**

The History

Over the past decade, the District of Columbia has embarked on an impressive road to financial recovery. On March 30, 1995, the House Committee on Government Reform issued a report which declared the following:

“The District of Columbia is insolvent: the city does not have enough cash to pay all of its bills. It is spending at a rate in fiscal year 1995 that would exceed its mandated expenditure limits by more than \$600 million, nearly 20 percent above its congressional appropriation.”

Shortly thereafter, on April 17, 1995, Congress intervened and provided key structural changes to District finances and passed the District of Columbia Responsibility and Management Assistance Act, legislation authored by Davis which (1) chartered a Financial Control Board to oversee the operations of the District government and repair its financial situation and (2) established a Chief Financial Officer for the District of Columbia.

For the next six years, the Control Board essentially ran the District of Columbia government, making budgetary decisions for the city, monitoring city services that were under court receivership, and establishing a long-term financial plan for the local government. The District was able to turn its financial reporting around and achieved unqualified, or “clean” opinions on its financial statements in 1997. On February 14, 2001, the Control Board certified that the District of Columbia had issued its fourth consecutive balanced budget, triggering the dismantling of the DC Financial Control Board on September 30, 2001.

The Problem

Existing law requires Congress to approve the District’s local budget as part of its annual appropriations process. As a result, the local budget is often held up for months after the beginning of the new fiscal year due to national political disputes unrelated to the operations of the local government. The District usually has higher interest rates because potential buyers of D.C. municipal bonds must be told of the uncertainty about whether the District will have a budget at the start of the fiscal year.

The Solution

Legislation must be developed that would allow the District to submit its local budget to Congress for congressional review and consideration under an expedited review process that would ensure that the District can begin utilizing the next fiscal year’s funds when the fiscal year begins.

The federal government would still be responsible for enacting an annual D.C. appropriations bill to fund criminal justice and defender supervision functions, courts and college tuition assistance. In addition, budget autonomy would be rescinded should the District trigger one of the “seven deadly sins” that would require the reinstatement of the DC Financial Control Board. Those “seven deadly sins” are: borrowing money from the Treasury; failing to provide sufficient funds to a debt service reserve fund; defaulting on loans, bonds or notes; failing to meet payroll; having a cash deficit at the end of any quarter; failing to make pension payments; and/or failing to make payment under an interstate compact.

Finally, Congress's right to intervene in local spending and policy decisions in the appropriations process would need to be preserved since the House and Senate will continue to have the responsibility to make sure the District does not return to the days of fiscal crisis.

Witnesses

The Committee expects to hear from the following witnesses, who will discuss the financial condition of the District Columbia; implications of budget autonomy for the city; and evaluate mechanisms and safeguards necessary to guard the District from lapsing financial trouble.

The Honorable Anthony Williams, Mayor, District of Columbia Government

The Honorable Linda Cropp, Chairman, District of Columbia Council

Dr. Natwar Gandhi, Chief Financial Officer, District of Columbia Government

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